

TOWN OF BAR HARBOR, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR
ENDED JUNE 30, 2008*

TOWN OF BAR HARBOR
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

October 2, 2008

Members of the Town Council
Town of Bar Harbor
Bar Harbor, ME 04609

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bar Harbor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bar Harbor, Maine as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bar Harbor, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF BAR HARBOR, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Management of the Town of Bar Harbor, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the Town of Bar Harbor, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2008 by \$26,323,934 (presented as “net assets”). Of this amount, \$5,310,769 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets – The Town's total net assets increased by \$999,627 (a 3.95% increase) for the fiscal year ended June 30, 2008. Net assets of governmental activities increased by \$665,611 (a 4.04% increase), while net assets of business-type activities showed an increase of \$334,016 (a 3.77% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2008, the Town's governmental funds reported a combined ending fund balance of \$4,853,902 with \$557,559 being general undesignated fund balance. This undesignated fund balance represents approximately 5.99% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations decreased by \$333,753 (11.55%) during the current fiscal year. There were no new debt obligations issued. Existing debt obligations were retired according to schedule. The 6/12/07 town meeting approved borrowing in the amount of \$1,000,000 to assist in the financing of the Northeast Creek housing project. At 6/30/08 this was authorized but unissued.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the

government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

79.87% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business-like Activities	Total 2008	Total 2007
Current Assets	6,493,247	1,292,076	7,785,323	7,546,686
Capital Assets	14,535,566	17,793,941	32,329,507	32,416,854
Total Assets	21,028,813	19,086,017	40,114,830	39,963,540
Current Liabilities	1,646,688	1,820,995	3,467,683	3,380,347
Other Liabilities	2,258,468	8,064,745	10,323,213	11,333,284
Total Liabilities	3,905,156	9,885,740	13,790,896	14,713,631
Net Assets:				
Invested in Capital Assets	11,928,739	9,035,452	20,964,191	20,166,268
Restricted	48,974		48,974	137,664
Unrestricted	5,145,944	164,825	5,310,769	4,945,977
Total Net Assets	17,123,657	9,200,277	26,323,934	25,249,909
Total Liabilities and Net Assets	21,028,813	19,086,017	40,114,830	39,963,540

Changes in Net Assets

Approximately 66.8% of the Town's total revenue came from property and excise taxes, approximately 8.34% came from State subsidies and grants, and approximately 24.86% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,687,518 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2008	Total 2007
Revenues:				
Taxes	12,985,012		12,985,012	12,625,087
Intergovernmental Revenues	1,620,517		1,620,517	1,531,970
Departmental Revenues	1,193,593	3,040,473	4,234,066	4,041,778
Investment Income		29,553	29,553	39,511
Other Local Sources	550,946	18,254	569,200	575,908
Total	16,350,068	3,088,280	19,438,348	18,814,254
Expenses:				
General Government	2,611,237		2,611,237	2,516,655
Public Safety	2,178,966		2,178,966	2,136,080
Health & Welfare	107,079		107,079	110,440
Parks and Recreation	258,084		258,084	229,607
Island Explorer Shuttle Bus	33,100		33,100	32,042
Roads and Sanitation	2,260,283		2,260,283	1,975,798
Debt Service	6,538		6,538	9,201
Assessments	2,725,849		2,725,849	2,791,171
Capital Outlay	172,214		172,214	293,648
Water Operations		1,103,293	1,103,293	980,094
Sewer Operations		1,650,742	1,650,742	1,653,932
Education Programs	3,335,559		3,335,559	3,316,053
Administrative Support	1,831,456		1,831,456	1,773,330
School Lunch	145,463		145,463	163,002
(Gain)/Loss on Disposal of Asset:	18,629	229	18,858	39,158
Total	15,684,457	2,754,264	18,438,721	18,020,211
Changes in Net Assets	665,611	334,016	999,627	794,043

FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$4,853,902, an increase of \$348,254 in comparison with the prior year. Approximately 16.78 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$55,750,741, net of accumulated depreciation of \$23,516,073, leaving a net book value of \$32,234,668. Current year additions included Capital Improvements, Water and Sewer additions.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Bar Harbor, 93 Cottage Street – Suite I, Bar Harbor, ME 04609.

TOWN OF BAR HARBOR
STATEMENT OF NET ASSETS
JUNE 30, 2008

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	3,084,846	449,310	3,534,156
Investments	2,355,430	252,448	2,607,878
Receivables			
Taxes	118,976		118,976
Liens	335,947	13,608	349,555
User Fees, net		455,141	455,141
Accounts	3,674	4,137	7,811
Ambulance	104,803		104,803
Accrued Interest	27,862	1,682	29,544
Prepaid Expense	27,116	8,556	35,672
Inventory	18,873	107,194	126,067
Due from Other Governments	415,720		415,720
Bond Issuance Costs, Net		94,839	94,839
Capital Assets:			
Land	1,899,514	164,793	2,064,307
Construction Work in Progress	127,381	72,232	199,613
Other Capital Assets, Net of Depreciation	12,508,671	17,462,077	29,970,748
Total Assets	21,028,813	19,086,017	40,114,830
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	446,116	158,717	604,833
Retainage Payable	1,417	22,789	24,206
Payroll Taxes Deductible	13,699		13,699
Due to Other Governments		374,484	374,484
Accrued Salaries Payable	546,025	26,649	572,674
Accrued Compensated Absences	255,883	30,708	286,591
Accrued Interest Payable		55,146	55,146
Deferred Bond Premium		21,842	21,842
Accrued Pension Costs		206,429	206,429
Accrued Standpipe Costs		65,487	65,487
Prepaid Taxes	26,874		26,874
Construction Advances		165,000	165,000
Deposits Payable	8,315		8,315
Long-term Liabilities:			
Due Within One Year	348,359	693,744	1,042,103
Due in More Than One Year	2,258,468	8,064,745	10,323,213
Total Liabilities	3,905,156	9,885,740	13,790,896
Net Assets			
Investment in Capital Assets, net of Related Debt	11,928,739	9,035,452	20,964,191
Restricted	48,974		48,974
Unrestricted	5,145,944	164,825	5,310,769
Total Net Assets	17,123,657	9,200,277	26,323,934
Total Liabilities and Net Assets	21,028,813	19,086,017	40,114,830

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

<u>Functions/Programs</u>	<u>Charges for</u>		<u>Operating</u>	<u>Governmental</u>	<u>Business-like</u>
<u>Primary Government</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants</u>	<u>Activities</u>	<u>Activities</u>
<u>Governmental Activities:</u>					
General Government	2,611,237	408,042		(2,203,195)	(2,203,195)
Public Safety	2,178,966	701,629	30,263	(1,447,074)	(1,447,074)
Health and Welfare	107,079			(107,079)	(107,079)
Parks & Recreation	258,084	760		(257,324)	(257,324)
Island Explorer Shuttle Bus	33,100			(33,100)	(33,100)
Roads and Sanitation	2,260,283	87,304		(2,172,979)	(2,172,979)
Debt Service - Interest	6,538			(6,538)	(6,538)
Assessments	2,725,849			(2,725,849)	(2,725,849)
Capital Outlay	172,214		89,022	(83,192)	(83,192)
Education Programs	3,335,559		116,037	(3,219,522)	(3,219,522)
Administrative Support	1,831,456			(1,831,456)	(1,831,456)
School Lunch	145,463	66,496	30,011	(48,956)	(48,956)
<u>Total Governmental Activities</u>	<u>15,665,828</u>	<u>1,264,231</u>	<u>265,333</u>	<u>(14,136,264)</u>	<u>(14,136,264)</u>
<u>Business-type Activities:</u>					
Wastewater	(1,650,742)	1,903,946			253,204
Water	(1,103,293)	1,136,527			33,234
<u>Total Business-type Activities</u>	<u>(2,754,035)</u>	<u>3,040,473</u>			<u>286,438</u>
<u>Total Primary Government</u>	<u>12,911,793</u>	<u>4,304,704</u>	<u>265,333</u>	<u>(14,136,264)</u>	<u>(13,849,826)</u>
<u>General Revenues:</u>					
Taxes					
Property				12,125,002	12,125,002
Auto and Boat Excise				860,010	860,010
Intergovernmental Revenues				1,355,184	1,355,184
Other Local Sources				480,308	47,807
Gain/(Loss) on Disposal of Assets				(18,629)	(229)
<u>Total Revenues, Special Items and Transfers</u>				<u>14,801,875</u>	<u>14,849,453</u>
<u>Changes in Net Assets</u>					
				665,611	334,016
<u>Net Assets - Beginning</u>				<u>16,458,046</u>	<u>8,866,261</u>
<u>Net Assets - Ending</u>				<u>17,123,657</u>	<u>9,200,277</u>
					<u>25,324,307</u>
					<u>26,323,934</u>

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	3,072,725		10,058	2,063	3,084,846
Investments	2,346,464			8,966	2,355,430
Receivables					
Taxes	118,976				118,976
Tax Liens	335,947				335,947
Accounts	3,674				3,674
Ambulance Fees	104,803				104,803
Accrued Interest	27,862				27,862
Prepaid Expense	27,116				27,116
Inventory	15,539		3,334		18,873
Due from Other Governments	374,484		10,973	30,263	415,720
Due from Other Funds	29,263	2,440,170	1,215,315	2,095	3,686,843
Total Assets	6,456,853	2,440,170	1,239,680	43,387	10,180,090
<i>Liabilities and Net Assets</i>					
Liabilities					
Accounts Payable	255,884	146,182	44,050		446,116
Retainage Payable	1,417				1,417
Payroll Taxes/Deductions	13,699				13,699
Accrued Salaries Payable	138,871		407,154		546,025
Accrued Compensated Absences	224,382				224,382
Deferred Revenue					
Property Tax	333,788				333,788
Acadia Nat'l Park Payment					
in Lieu of Taxes	38,729				38,729
Prepaid Taxes	26,874				26,874
Due to Other Funds	3,350,320		307,260	29,263	3,686,843
Deposits Payable	8,315				8,315
Total Liabilities	4,392,279	146,182	758,464	29,263	5,326,188
<i>Fund Balances</i>					
Reserved For:					
Encumbrances	37,015				37,015
Endowments				8,625	8,625
Inventory			3,334		3,334
Unreserved					
Designated for Working Capital	1,470,000				1,470,000
Designated for Subsequent Years' Expenditures		2,220,595	294,366	5,499	2,520,460
Undesignated	557,559	73,393	183,516		814,468
Total Fund Balances	2,064,574	2,293,988	481,216	14,124	4,853,902
Total Liabilities and Fund Balances	6,456,853	2,440,170	1,239,680	43,387	10,180,090

(Continued)

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

Exhibit C
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance	4,853,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$15,308,326	14,535,566
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Deferred Revenues	372,517
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: Bonds Payable Accrued Compensated Absences - School Department Capital Leases Payable	(2,556,323) (31,501) (50,504) <u>(2,638,328)</u>
Net Assets of Governmental Activities	<u><u>17,123,657</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>CIP Fund</i>	<i>School Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Taxes	12,873,032				12,873,032
Intergovernmental Revenues	447,076	89,022	1,055,643	30,263	1,622,004
Departmental Revenues	1,193,593				1,193,593
Other Local Sources	365,691	105,310	75,171	4,774	550,946
Total Revenues	14,879,392	194,332	1,130,814	35,037	16,239,575
Expenditures					
General Government	2,495,044				2,495,044
Public Safety	1,973,340			33,307	2,006,647
Health and Welfare	101,362				101,362
Parks and Recreation	223,854				223,854
Island Explorer Shuttle Bus	33,100				33,100
Roads and Sanitation	1,713,079				1,713,079
Debt	42,759				42,759
Assessments	2,725,849				2,725,849
Capital Outlay		1,339,671			1,339,671
Education Programs			3,342,469		3,342,469
Administrative Support			1,762,327		1,762,327
School Lunch			145,463		145,463
Total Expenditures	9,308,387	1,339,671	5,250,259	33,307	15,931,624
Excess of Revenues Over (Under) Expenditures	5,571,005	(1,145,339)	(4,119,445)	1,730	307,951
Other Financing Sources (Uses)					
Lease Proceeds			40,303		40,303
Transfers from Other Funds	52,285	1,487,961	4,281,156	-	5,821,402
Transfers to Other Funds	(5,715,117)	(36,600)	(54,000)	(15,685)	(5,821,402)
Total Other Financing Sources (Uses)	(5,662,832)	1,451,361	4,267,459	(15,685)	40,303
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(91,827)	306,022	148,014	(13,955)	348,254
Fund Balance - July 1	2,156,401	1,987,966	333,202	28,079	4,505,648
Fund Balance - June 30	2,064,574	2,293,988	481,216	14,124	4,853,902

(Continued)

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	348,254
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	912,599
Disposal of Assets	(18,629)
Depreciation expense	(1,011,951)
	<u>(117,981)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	(1,487)
Deferred Taxes	111,980
	<u>110,493</u>
Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Lease Proceeds	(40,303)
Capital lease obligation principal payments	20,880
General obligation bond principal payments	333,753
	<u>314,330</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued compensated absences	10,515
	<u>10,515</u>
Change in net assets of governmental activities	<u><u>665,611</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2008

Exhibit E

<i>Assets</i>	<i>Wastewater Enterprise</i>	<i>Water Enterprise</i>	<i>Total</i>
Current Assets:			
Cash and Equivalents	438,681	10,629	449,310
Investments	252,448		252,448
Receivables			
User Fees, net	450,688	4,453	455,141
Liens Receivable	13,608		13,608
Accounts	1,384	2,753	4,137
Accrued Interest	1,682		1,682
Inventory	16,779	90,415	107,194
Prepaid Expenses		8,556	8,556
Total Current Assets	1,175,270	116,806	1,292,076
Noncurrent Assets:			
Capital Assets, net	12,117,589	5,581,513	17,699,102
Bond Issuance Costs, net	59,936	34,903	94,839
Total Noncurrent Assets	12,177,525	5,616,416	17,793,941
Total Assets	13,352,795	5,733,222	19,086,017
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	35,673	123,044	158,717
Retainage Payable	14,932	7,857	22,789
Accrued Salaries and Benefits	14,484	12,165	26,649
Accrued Interest Payable	39,554	15,592	55,146
Due to Other Governments	13,807	360,677	374,484
Compensated Absences Payable	19,670	11,038	30,708
Bonds and Notes Payable	500,279	193,465	693,744
Total Current Liabilities	638,399	723,838	1,362,237
Noncurrent Liabilities:			
Deferred Bond Premium		21,842	21,842
Construction Advances		165,000	165,000
Accrued Pension Costs		206,429	206,429
Accrued Standpipe Costs		65,487	65,487
Bonds and Notes Payable	4,683,734	3,381,011	8,064,745
Total Noncurrent Liabilities	4,683,734	3,839,769	8,523,503
Total Liabilities	5,322,133	4,563,607	9,885,740
Net Assets			
Invested in Capital Assets, net of related debt	6,993,512	2,041,940	9,035,452
Retained Earnings			
Reserved	916,009	182,592	1,098,601
Unreserved - Undesignated	121,141	(1,054,917)	(933,776)
Total Net Assets	8,030,662	1,169,615	9,200,277
Total Liabilities and Net Assets	13,352,795	5,733,222	19,086,017

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit F

	<u>Proprietary Fund Types</u>		
	<u>Wastewater</u>	<u>Water</u>	
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	1,092,713	1,133,994	2,226,707
Capital Charge	797,966		797,966
Interest - Late Penalties	13,267	2,533	15,800
Total Operating Revenues:	1,903,946	1,136,527	3,040,473
Operating Expenditures:			
Salaries and Benefits	468,767	387,673	856,440
Contracted Services	162,447	121,038	283,485
Utilities & Commodities	214,543	46,483	261,026
Repairs & Maintenance	34,954	98,147	133,101
Equipment	1,992	12,992	14,984
Other Expenses	32,213	28,517	60,730
Depreciation and Amortization	486,529	189,038	675,567
Materials and Supplies	77,435	62,828	140,263
Total Operating Expenditures	1,478,880	946,716	2,425,596
Net Operating Income	425,066	189,811	614,877
Nonoperating Revenues (Expenses)			
Interest Revenue	28,491	1,062	29,553
Nonutility Income, net of expense		6,084	6,084
Insurance Refund - Tank Roof		12,170	12,170
Gain/(Loss) on Disposal of Asset		(229)	(229)
Interest Expense	(171,862)	(156,577)	(328,439)
Total Nonoperating Revenue (Expenses)	(143,371)	(137,490)	(280,861)
Change in Net Assets	281,695	52,321	334,016
Total Net Assets - Beginning	7,748,967	1,117,294	8,866,261
Total Net Assets - Ending	8,030,662	1,169,615	9,200,277

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit G

	Proprietary Fund Types		
	Wastewater Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities			
Received from Customers	1,903,946	1,136,527	3,040,473
Payments to Suppliers	(491,371)	(341,488)	(832,859)
Payments to Employees	(468,767)	(387,673)	(856,440)
Other Receipts (Payments)	(32,213)	(10,492)	(42,705)
Net Cash Provided by (Used in) Operating Activities	911,595	396,874	1,308,469
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(175,520)	(349,515)	(525,035)
Capital Contributions	123,518	12,170	135,688
Principal Paid on Capital Debt	(492,080)	(182,592)	(674,672)
Interest Paid on Capital Debt	(171,862)	(156,577)	(328,439)
Net Cash Used in Capital and Related Financing Activities	(715,944)	(676,514)	(1,392,458)
Cash Flows from Investing Activities			
Purchase of Investments	(231,262)	287,195	55,933
Interest and Dividends	28,491	1,062	29,553
Net Cash Provided by (Used in) Investing Activities	(202,771)	288,257	85,486
Net Increase (Decrease) in Cash and Cash Equivalents	(7,120)	8,617	1,497
Balances - beginning of the year	445,801	2,012	447,813
Balances - end of the year	438,681	10,629	449,310
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Operating Income (Loss)	425,066	189,811	614,877
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	105,874	(284,374)	(178,500)
Depreciation and Amortization	486,529	189,038	675,567
(Increase) Decrease in Accounts Receivable	(27,479)	16,757	(10,722)
(Increase) Decrease in Due To/From Other Funds	(191)	191	-
(Increase) Decrease in Inventory	(6,910)	(24,290)	(31,200)
(Increase) Decrease in Prepaid Expense		(2,063)	(2,063)
Increase (Decrease) in Accrued Wages Payable	(1,391)	(17)	(1,408)
Increase (Decrease) in Accrued Interest Payable	(3,963)	(659)	(4,622)
Increase (Decrease) in Deferred Revenue		(1,722)	(1,722)
Increase (Decrease) in Accrued Standpipe Costs		10,000	10,000
Increase (Decrease) in Accrued Pension Costs		(11,389)	(11,389)
Increase (Decrease) in Compensated Absences Payable	(131)	(471)	(602)
Increase (Decrease) in Due to Other Governments	(17,121)	222,292	205,171
Increase (Decrease) in Accounts Payable	(44,672)	85,913	41,241
Increase (Decrease) in Retainage Payable	(4,016)	7,857	3,841
Net Cash Provided by (Used in) Operating Activities	911,595	396,874	1,308,469

The notes to financial statements are an integral part of this statement.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bar Harbor have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The Town of Bar Harbor operates under an elected Town Council and Town Manager form of government. The Town's Elementary School Department operates under an elected School Committee. The School Department is administered by Union #98. The Town's major operations include public works, water, wastewater, harbor facilities, public safety, fire protection, education, and general administrative services.

For financial reporting purposes the Town includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement, known as the "Reporting Model" statement affects the way the Town prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). The Town has recorded historical infrastructure assets in governmental activities and, accordingly, has recorded depreciation expense on those assets. The Town has recorded these effective June 30, 2006. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (continued)

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the Town’s general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town’s own programs.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or withdraw directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The CIP funds account for all the Town and School Departments major capital projects.

The School Department accounts for the activities of the school operations.

The Town reports the following major proprietary funds:

The wastewater fund accounts for the activities of the wastewater operations. The Town operates the wastewater collection system and related administrative costs.

The water fund accounts for the activities of the water operations. The Town operates the water collection system and related administrative costs.

Additionally, the Town reports the following fund types:

Permanent funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

E. Assets, Liabilities and Equity

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year end are classified as deferred revenue. At June 30, \$333,788 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 16, 2007 on property values assessed on April 1. Taxes were due in two installments due on September 28 and March 31, with interest at 12.0% beginning October 1 and April 1. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Inventories

Inventories are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	20-40
Infrastructure	18-77
Equipment	3-20

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave, holiday leave and comp time in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Under State Law, no municipality can incur debt, which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At June 30, the Town of Bar Harbor is in compliance with the above requirements.

7. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the government's governmental funds. However, the Town's School Department does not budget for the revenues and expenditures associated with the employer's teacher retirement contribution made by the State of Maine on behalf of the town to the Maine State Retirement System. School grant funds and the school lunch fund do not have legally adopted budgets. All annual appropriations lapse at fiscal year-end to the extent that they have not been encumbered.

All agencies of the government submit requests for appropriations to the government's manager commencing 6 weeks before the manager is required to submit the budget to the government's council. The manager compiles

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (continued)

the data and submits the total budget to the council on or before the third Tuesday in January each year. The council holds public hearings, adopts the budget, and recommends it to the warrant committee on or before February 22. No later than seven days following adoption, the manager submits the budget to the warrant committee, which reviews the budget and submits its recommendation to the council at least four weeks prior to the Town Meeting. The council submits the budget to the Town Meeting along with the recommendation of the warrant committee. The Town Meeting adopts the final budget.

The appropriated budget is prepared by fund, function and department. The manager and department heads may make transfers of appropriations within cost centers, but may not exceed the total cost center appropriation. The council may transfer appropriations between cost centers to the extent of any unencumbered appropriation balance.

Reserve funds, once established by the Town Meeting, may be expended with approval of the council for the purpose for which the reserve was established.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Equivalents

At year-end, the government's carrying amount of deposits was \$3,534,155 and the bank balance was \$3,706,949. The bank balance is categorized according to credit risk as follows:

Category 1 - Insured by Federal depository or credit union insurance.

Category 2 - Collateralized with securities held by the pledging financial institution's trust
 Department or agent in the Town's name.

Category 3 - Uninsured and uncollateralized.

	<i>Bank Balance</i>	<i>Category 1</i>	<i>Category 2</i>	<i>Category 3</i>
Cash and Equivalents	<u>3,706,949</u>	<u>3,694,295</u>	-	<u>12,654</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Investments

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

Category 1 - Insured or registered, or securities held by the government or its agent in the government's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the government's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 2</i>	<i>Fair Value</i>	<i>Cost</i>
U.S. Government Obligations	2,108,291	2,108,291	2,092,529
Fixed Income	252,448	252,448	251,215
	<u>2,360,739</u>	2,360,739	2,343,744
Unclassified - MBIA		<u>247,139</u>	247,139
Total Investments		<u>2,607,878</u>	<u>2,590,883</u>

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	1,369,309,590
Tax Rate (per \$1,000)	<u>8.77</u>
Commitment	<u>12,008,847</u>
Appropriations	15,332,564
Less:	
State Municipal Revenue Sharing	296,924
Estimated Revenues	2,972,011
Homestead Reimbursement	<u>54,782</u>
	<u>3,323,717</u>
Net Assessment for Commitment	<u>12,008,847</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Property Taxes (continued)

Uncollected real estate taxes at June 30 for the current year commitment totaled \$344,758, which represents tax collection of approximately 97.13% of the current year commitment. Unpaid liens at June 30 totaled \$444,149.

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2008 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	29,263	3,350,320
Special Revenue Funds		
Dog Control Fund	2,095	
Eel Grass Grant		7,494
Scenic Byways Grant		20,239
Seatbelt Grant		1,530
School Operating	918,558	296,757
School Food Service		10,503
School Federal/State Projects	1,202	
School Reserves	286,273	
School Grants	7,598	
School Donations	1,684	
Trust Funds		
Capital Project Funds	<u>2,440,170</u>	<u> </u>
Totals	<u><u>3,686,843</u></u>	<u><u>3,686,843</u></u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. \$50,250 of the above balance is expected to be repaid during the next year. The remainder represents appropriations for future projects and will be repaid upon need of the funds for those projects.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets (Includes School)

Capital asset activity for the year ended June 30, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not begin depreciated</i>				
Land	1,899,514			1,899,514
<i>Capital assets being depreciated</i>				
Buildings	7,032,906	64,959		7,097,865
Equipment	4,229,371	484,227	(167,578)	4,546,020
Infrastructure	15,911,897	429,813	(168,600)	16,173,110
Construction Work in Progress	193,780	11,972	(78,371)	127,381
<i>Total capital assets being depreciated</i>	27,367,954	990,971	(414,549)	27,944,376
<i>Less accumulated depreciation for</i>				
Buildings	2,236,092	159,688		2,395,780
Equipment	2,279,626	353,774	(156,363)	2,477,037
Infrastructure	10,098,203	498,490	(161,186)	10,435,507
<i>Total accumulated depreciation</i>	14,613,921	1,011,952	(317,549)	15,308,324
<i>Net capital assets being depreciated</i>	12,754,033	(20,981)	(97,000)	12,636,052
Governmental Activities Capital Assets, net	<u>14,653,547</u>	<u>(20,981)</u>	<u>(97,000)</u>	<u>14,535,566</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	164,793			164,793
<i>Capital assets being depreciated</i>				
Water Fund	7,387,696	352,124	(19,501)	7,720,319
Wastewater Fund	17,974,453	175,520	(128,234)	18,021,739
<i>Total capital assets being depreciated</i>	<u>25,526,942</u>	<u>527,644</u>	<u>(147,735)</u>	<u>25,906,851</u>
<i>Less accumulated depreciation for</i>				
Water Fund	2,112,823	185,382	(18,856)	2,279,349
Wastewater Fund	5,576,414	480,220	(128,234)	5,928,400
<i>Total accumulated depreciation</i>	<u>7,689,237</u>	<u>665,602</u>	<u>(147,090)</u>	<u>8,207,749</u>
<i>Net capital assets being depreciated</i>	<u>17,837,705</u>	<u>(137,958)</u>	<u>(645)</u>	<u>17,699,102</u>
<i>Business-type Activities Capital Assets, net</i>	<u>17,837,705</u>	<u>(137,958)</u>	<u>(645)</u>	<u>17,699,102</u>

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities:

General Government	139,229
Public Safety	178,519
Health and Welfare	5,717
Parks and Recreation	34,230
Roads and Sanitation, including infrastructure	547,204
Education Administrative Support	<u>107,052</u>
Total Depreciation Expense - Governmental Activities	<u>1,011,951</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Capital Leases

The Town is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in General Long-Term Debt Account Group. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year-ended June 30,</i>	<i>Minimum Lease Payment</i>
2009	14,565
2010	14,565
2011	9,035
2012	9,035
2013	9,034
Total Minimum Lease Payments	56,234
Less: Amount Representing Interest	(5,730)
Present Value of Future Minimum Lease Payments	<u>50,504</u>

G. Long-Term Debt

1. General Obligation Bonds and Notes. The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
General Obligation			
1988 Community Building	6/1/2009	6.75-7.7%	25,000
1988 Public Improvement Bonds	11/1/2010	5.00-7.85%	35,009
1990 School/Septic Dump Bonds	6/1/2010	6.50-9.00%	37,892
1992 School Project Bonds	6/1/2012	5.7-6.5%	460,000
2004 Municipal Renovations	11/1/2013	3.62%	174,756
2004 School Heating	11/1/2024	4.57%	723,666
2004 School Renovations	11/1/2013	0.00%	420,000
2005 Hulls Cove Wastewater	11/1/2013	3.00%	680,000
			<u>2,556,323</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes. (Continued)

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
Proprietary			
1988 Wastewater Improvement Bonds	11/1/2010	5.00-7.85%	44,251
1990 Dewatering / Browning Point	6/1/2010	6.5-9.00%	22,108
1992 Wastewater Project Bonds	6/1/2012	5.7-6.50%	240,000
1997 Wastewater Plant	10/1/2017	3.00%	4,055,154
2001 Wastewater Improvement Bond	4/1/2011	2.00%	82,500
2005 Hulls Cove Wastewater Plant	11/1/2013	3.00%	740,000
2001 Water Acquisition Bond	12/1/2021	4.540%	3,015,000
2002 Water Tank Purchase	10/1/2021	2.673%	559,476
			<u>8,758,489</u>
Total Debt			<u>11,314,812</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$2,869,629 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2009	435,695	996,838	1,432,533
2010	399,648	988,464	1,388,112
2011	369,376	973,650	1,343,026
2012	347,344	927,678	1,275,022
2013	223,458	864,726	1,088,184
2014-2018	682,963	4,308,439	4,991,402
2019-2023	544,959	1,645,924	2,190,883
2024-2028	208,633	266,646	475,279
Total	<u>3,212,076</u>	<u>10,972,365</u>	<u>14,184,441</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Debt (Continued)

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the Town of Bar Harbor for the fiscal year ended June 30, 2008:

	<i>General Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
Long-term Debt payable July 1, 2007	2,890,076	9,433,162	12,323,238
Debt Issued			-
Debt Retired	(333,753)	(674,673)	(1,008,426)
Long-term Debt payable June 30, 2008	<u>2,556,323</u>	<u>8,758,489</u>	<u>11,314,812</u>

3. Debt Authorized - Unissued

The Town was authorized to issue general obligation securities not to exceed \$1,000,000 to assist in the financing of infrastructure costs for Northeast Creek, an affordable housing project. As of 6/30/08, this has not been issued:

<i>Per Referendum Vote of:</i>	<i>Purpose</i>	<i>Unissued Amount</i>
June 12, 2007	Northeast Creek	\$1,000,000

H. Contributed Capital

Changes in net contributed capital for the year-ended June 30, 2008 for the government's Proprietary Funds were as follows:

	<u>Wastewater</u>	<u>Water</u>
Balance - Beginning of Year	3,165,078	129,500
Additions:		14,681
Deductions:		
Retirements		
Depreciation Provided by Contributed Capital	<u>(123,518)</u>	<u>(6,934)</u>
Balance - End of Year	<u>3,041,560</u>	<u>137,247</u>

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the government expects such amount, if any to be immaterial.

The government is a defendant in various lawsuits which results from the normal course of its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Permanent Funds

The principal amount of all Permanent Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Permanent Funds at June 30 are detailed as follows:

<u>Purpose</u>	<u>Nonexpendable</u>	<u>Expendable</u>
Cemetery Care	2,137	298
Scholarships	<u>6,488</u>	<u>2,106</u>
Total	<u><u>8,625</u></u>	<u><u>2,404</u></u>

C. Pension Plans

Plan Description

The Town's employees are covered under the ICMA or Maine State Retirement System.

The ICMA is a qualified defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular, full-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded under the plan, all investments purchased and all income attributable thereto are held in trust for the exclusive benefit of participants and their beneficiaries.

The Town participates in the Maine State Retirement System Consolidated Plan for Participating Districts (Consolidated Plan), and the Maine State Retirement System's Teacher Plan, both which are cost sharing multiple-employer defined benefit pension plans.

The Maine State Retirement System (System) is a body corporate and politic and an incorporated public instrumentality of the State. Under Title 5 M.R.S.A. the System is the administrator of retirement and disability

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans

Plan Description (Continued)

benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System issues a financial report that includes the financial statements and required supplementary information for the plans. That report may be obtained by writing to Maine State Retirement System, Two Central Plaza, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy

Under the ICMA plan, covered employees contribute a percentage of their salary to the plan with the Town contributing 6.5% to 9.5%. The Town's costs for the fiscal years ended June 30 2006, 2007 and 2008 were \$100,763, \$113,817 and \$124,777 respectively.

Maine State Retirement System Consolidated Plan members are required to contribute 6.5% to 7.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 2.8% to 3.5% of annual covered payroll, plus a monthly contribution of \$1,304. The contribution requirements of plan members and the Town are established by the Maine State Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for the years ended June 30 2006, 2007 and 2008, were \$52,634, \$51,256 and \$57,414 respectively, which were paid in full each year.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the School Department is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll, plus a monthly payment for all covered employees of \$156. The contribution requirements of plan members and the School Department are established by the Maine State Retirement System Board of Trustees. The School Department's contributions to the Consolidated Plan for the years ended June 30, 2006, 2007 and 2008 were \$5,553, \$5,727 and \$5,991 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution, which amounted to 18.71% of the annual covered salary for fiscal year 2008. The State's cost for 2008 was approximately \$489,667. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 18.71% of their compensation. This cost amounted to \$13,819 for 2008 and is chargeable to the applicable grants.

D. Bar Harbor Water Company Pension Plan

Prior to its acquisition by the Town, the employees of the Bar Harbor Water Company were covered by the Bar Harbor Water Company Retirement Plan for Employees, a defined benefit pension plan. Contributions were actuarially determined and made by the employer. Employees did not make contributions.

The plan was amended by the Town Council to discontinue the accrual of any additional benefits after December 31, 2001, and effective January 1, 2002, the Town of Bar Harbor became the successor sponsor.

TOWN OF BAR HARBOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - OTHER INFORMATION (Continued)

D. Bar Harbor Water Company Pension Plan (Continued)

Based on the latest actuarial valuation as of January 1, 2008, the accrued liability of the plan was \$436,930. The value of assets available for funding totaled \$230,501, leaving an unfunded liability of \$206,429. The total unfunded liability has been recorded as a liability at June 30, 2008 of the Bar Harbor Water Division enterprise fund.

E. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the town participated in public entity risk pools sponsored by the Maine Municipal Association (MMA) for workers' compensation, and property damage.

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable, therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$200,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence and \$5,000,000 aggregate annual coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2008.

F. Beginning Fund Balance Adjustment

The beginning net assets for governmental funds on Schedule B has been adjusted (increased) by \$74,398 to reflect net assets for the school department that were not included on the prior year's statements. These assets belong to the school department and are paid for through the Town's capital improvement program.

TOWN OF BAR HARBOR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit H

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	12,946,549	12,946,549	12,873,032	(73,517)
Intergovernmental Revenues	454,538	454,538	447,076	(7,462)
Departmental Revenues	1,111,268	1,111,268	1,193,593	82,325
Other Local Sources	280,140	280,140	365,691	85,551
Total Revenues	14,792,495	14,792,495	14,879,392	86,897
Expenditures				
General Government	2,377,515	2,391,580	2,441,796	(50,216)
Public Safety	1,993,789	1,993,789	1,969,999	23,790
Health and Welfare	102,971	102,971	101,362	1,609
Parks and Recreation	209,401	209,401	208,248	1,153
Island Explorer Shuttle Bus	33,100	33,100	33,100	-
Roads and Sanitation	1,532,267	1,740,644	1,708,087	32,557
Debt	42,759	42,759	42,759	-
Contingency	51,650	-	-	-
Assessments	2,781,932	2,781,932	2,725,849	56,083
Total Expenditures	9,125,384	9,296,176	9,231,200	64,976
Excess Revenues Over Expenditures	5,667,111	5,496,319	5,648,192	151,873
Other Financing Sources				
Transfers from Other Funds	15,843	52,443	52,285	(158)
Transfers to Other Funds	(5,682,954)	(5,682,954)	(5,715,117)	(32,163)
Total Other Financing Sources	(5,667,111)	(5,630,511)	(5,662,832)	(32,321)
Net Change in Fund Balance	-	(134,192)	(14,640)	119,552
Decrease in Designated for Working Capital			(130,000)	
Beginning Fund Balances - Budgetary Basis			702,199	
Ending Fund Balances - Budgetary Basis			557,559	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			37,015	
Ending Fund Balances - GAAP Basis			594,574	

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Taxes			
Property	12,008,849	11,946,412	(62,437)
Auto Excise	896,546	849,061	(47,485)
Boat Excise	10,219	10,949	730
Interest/Fees on Taxes	30,935	66,610	35,675
	12,946,549	12,873,032	(73,517)
Intergovernmental Revenues			
State of Maine			
Municipal Revenue Sharing	285,151	264,895	(20,256)
General Assistance	995	765	(230)
Urban Rural Initiative Program	66,356	70,040	3,684
Tree Growth	4,518	4,929	411
Veterans Reimbursement	1,736	1,189	(547)
Homestead Reimbursement	54,782	55,042	260
Comprehensive Planning Grant	-	10,000	10,000
Federal			
Acadia National Park - PILT	41,000	40,216	(784)
	454,538	447,076	(7,462)
Departmental Revenues			
Ambulance/Fire			
Ambulance Service	337,368	395,138	57,770
Police			
Police Detail	23,000	33,393	10,393
Parking Tickets	33,000	33,309	309
All Other	6,747	10,064	3,317
Planning / Code			
Building Permits	145,934	101,794	(44,140)
Plumbing Permits	32,565	27,572	(4,993)
Electrical Inspections	27,923	22,411	(5,512)
Vacation Rental Permits	5,193	7,764	2,571
Plan Board/Subdivision & Rezoning	12,140	13,625	1,485
Site Plan Review	10,958	8,660	(2,298)
All Other	13,169	15,579	2,410
Harbor Fees			
Cruise Ships	124,938	147,750	22,812
Docking	60,803	63,245	2,442
Moorings	6,608	4,928	(1,680)
All Other	14,010	9,660	(4,350)
Solid Waste			
Sale of Recyclables	49,001	77,748	28,747
All Other	2,630	1,274	(1,356)
Public Works			
All Other	6,547	8,282	1,735
Parks and Recreation			
Park and Recreation Fees	660	760	100
Finance			
Administrative Services	132,644	132,644	-
Auto Registrations	17,734	19,674	1,940
Boat/RV Registrations/Snowmobile Fees	33 1,503	1,664	161

TOWN OF BAR HARBOR
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-1
Page 2 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over(Under) Budget</i>
Departmental Revenues (Continued)			
Municipal Building Leases	27,484	32,118	4,634
Town Clerk			
Clerk's Fees	13,074	17,087	4,013
All Other	5,635	7,450	1,815
	1,111,268	1,193,593	82,325
Other Local Sources			
Interest on Investments	117,295	168,672	51,377
Change in Fair Market Value		9,160	9,160
Kids Corner Lease	3,300	2,400	(900)
Other Rentals	3,512	2,400	(1,112)
Jackson Laboratory - PILT	56,500	61,800	5,300
Housing Authority - PILT	20,089	20,743	654
Other - PILT	9,763	10,575	812
Cable TV Franchise	55,000	62,563	7,563
Insurance Dividends	13,189	16,249	3,060
All Other	1,492	11,129	9,637
	280,140	365,691	85,551
Operating Transfers In			
Municipal Revenue Sharing	11,773	11,773	-
Cemetery Income	174	174	-
Dog Control Reserve	1,768	1,768	-
Capital Improvements Program	36,600	36,600	-
Shellfish Conservation	2,128	1,970	(158)
	52,443	52,285	(158)
Total Revenues and Operating Transfers	14,844,938	14,931,677	86,739
Beginning Fund Balance Used	134,192		
Total	14,979,130		

TOWN OF BAR HARBOR

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-2
Page 1 of 2

	Encumbered From 6/30/07	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/09	(Over) Under Budget
General Government					
Town Council		43,967	42,424		1,543
Town Manager		107,872	102,303		5,569
Town Clerk		95,808	94,410		1,398
Finance		290,701	281,942		8,759
Legal Counsel		65,592	148,410		(82,818)
Elections		14,060	12,391		1,669
Technology	3,443	81,172	82,370		2,245
Municipal Building	7,999	97,754	81,560		24,193
Town Offices		37,163	33,354		3,809
Employee Benefits		1,004,054	1,006,456		(2,402)
Insurance		77,274	74,786		2,488
Assessing		115,850	112,457		3,393
Code Enforcement		56,855	57,778		(923)
Planning	76,391	248,560	240,991	34,585	49,375
27th Pay Period		11,553	8,337		3,216
Vacation Accruals		10,330	22,232		(11,902)
Abatements/Discount on Taxes		33,015	92,843		(59,828)
	87,833	2,391,580	2,495,044	34,585	(50,216)
Public Safety					
Ambulance		340,693	343,794		(3,101)
Fire Department		584,951	573,978		10,973
Police Department	5,771	664,405	669,983		193
Public Safety Building		41,850	35,450	2,430	3,970
Street Lights		81,045	75,231		5,814
Dispatch		171,673	170,904		769
Harbor Division		109,172	104,000		5,172
	5,771	1,993,789	1,973,340	2,430	23,790
Health and Welfare					
General Assistance		1,989	1,875		114
Cooperating Agencies		44,640	44,640		-
Comfort Station		56,342	54,847		1,495
	-	102,971	101,362	-	1,609
Parks and Recreation					
Parks & Recreation	15,606	195,270	210,456		420
Glen Mary Park		14,131	13,398		733
	15,606	209,401	223,854	-	1,153

TOWN OF BAR HARBOR

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-2
Page 2 of 2

	Encumbered From 6/30/07	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/09	(Over) Under Budget
Island Explorer Shuttle Bus	-	33,100	33,100	-	-
Roads and Sanitation					
Public Works		123,267	127,663		(4,396)
Highway Division		1,102,991	1,049,622		53,369
Solid Waste	4,992	514,386	535,794		(16,416)
Debt Service	4,992	1,740,644	1,713,079	-	32,557
Principal		36,221	36,221		
Interest		6,538	6,538		
	-	42,759	42,759	-	-
Contingency	-	-	-	-	-
Total Appropriations, Expenditures and Encumbrances	114,202	6,514,244	6,582,538	37,015	8,893
Assessments					
Regional School District		2,160,360	2,160,360		
County Tax		565,489	565,489		
Overlay		56,083			56,083
Operating Transfers Out	-	2,781,932	2,725,849	-	56,083
Capital Improvements Program		1,487,961	1,487,961		
School Department		4,194,993	4,227,156		(32,163)
	-	5,682,954	5,715,117	-	(32,163)
Totals	114,202	14,979,130	15,023,504	37,015	32,813

TOWN OF BAR HARBOR*Exhibit A-3***GENERAL FUND****STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

Unreserved - Undesignated Fund Balance, July 1	702,199	
Unreserved - Undesignated Fund Balance, June 30	<u>557,559</u>	
Increase (Decrease)		<u><u>(144,640)</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	86,739	
Unexpended Balance of Appropriations (Exhibit A-2)	8,893	
Unexpended Balance (Overdraft) of Assessments and Operating Transfers (Exhibit A-2)	23,920	
(Increase) Decrease in Designated for Working Capital	<u>(130,000)</u>	
Budget Surplus		(10,448)
Deductions		
Fund Balance Used to Fund Appropriations		<u>(134,192)</u>
Increase (Decrease)		<u><u>(144,640)</u></u>

TOWN OF BAR HARBOR
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

Exhibit B-1

<i>Assets</i>	<i>Town Reserves/ Grants</i>	<i>School Department</i>	<i>Total</i>
Cash and Equivalents		10,058	10,058
Due from Other Funds	2,095	1,215,315	1,217,410
Due from Other Governments	30,263	10,973	41,236
Inventory		3,334	3,334
Total Assets	32,358	1,239,680	1,272,038
<i>Liabilities & Fund Balances</i>			
Liabilities			
Due to Other Funds	29,263	307,260	336,523
Accounts Payable		44,050	44,050
Accrued Salaries		407,154	407,154
Total Liabilities	29,263	758,464	787,727
Fund Balances			
Reserved for Inventory		3,334	3,334
Unreserved			
Designated for Subsequent Years' Expenditures	3,095	294,366	297,461
Undesignated		183,516	183,516
Total Fund Balances	3,095	481,216	484,311
Total Liabilities & Fund Balances	32,358	1,239,680	1,272,038

TOWN OF BAR HARBOR

Exhibit B-2

ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Municipal Revenue Sharing</i>	<i>Town Reserves/ Grants</i>	<i>School Department</i>	<i>Total</i>
Revenues				
Intergovernmental Revenues	264,895	30,263	1,055,643	1,350,801
Lunch Sales			65,690	65,690
Other Local Sources		4,142	9,481	13,623
Total Revenues	264,895	34,405	1,130,814	1,430,114
Expenditures				
Education			3,342,469	3,342,469
Administration		81	1,762,327	1,762,408
Public Works		20,239		20,239
Public Safety		12,987		12,987
Lunch Program			145,463	145,463
Total Expenditures		33,307	5,250,259	5,283,566
Excess of Revenues Over (Under) Expenditures	264,895	1,098	(4,119,445)	(3,853,452)
Other Financing Sources (Uses)				
Lease Proceeds			40,303	40,303
Transfers from Other Funds			4,281,156	4,281,156
Transfers to Other Funds	(276,668)	(3,738)	(54,000)	(334,406)
Total Other Financing Sources (Uses)	(276,668)	(3,738)	4,267,459	3,987,053
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	(11,773)	(2,640)	148,014	133,601
Fund Balance - July 1	11,773	5,735	333,202	350,710
Fund Balance - June 30	-	3,095	481,216	484,311

TOWN OF BAR HARBOR
TOWN RESERVE/ GRANT FUNDS
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B-3

	<u>Balance July 1</u>	<u>Revenues/ Transfers In</u>	<u>Disbursements/ Transfers Out</u>	<u>Balance June 30</u>
Reserve				
Dog Control (1)	1,772	2,172	(1,849)	2,095
Shellfish Conservation (2)		1,970	(1,970)	-
Sub-total	1,772	4,142	(3,819)	2,095
Grant				
Eel Grass Grant (3)	3,963	8,494	(11,457)	1,000
Scenic Byways Grant (4)		20,239	(20,239)	-
Seatbelt Grant (5)		1,530	(1,530)	-
Sub-total		30,263	(33,226)	1,000
Totals	<u>1,772</u>	<u>34,405</u>	<u>(37,045)</u>	<u>3,095</u>

Notes: (1) License Fees \$2,172.

Transfers to General Fund - \$1,768, Expenditures - \$81.

(2) Revenues - Fees \$1,970.

Transfer to General Fund - Clam Flat Management, Salaries, \$1,970.

(3) Grant Receipts \$8,494.

Exp. \$11,457

(4) Grant Receipt \$20,239.

Exp. \$20,239.

(5) Grant Receipt \$1,530.

Exp. \$1,530.

TOWN OF BAR HARBOR
COMBINING BALANCE SHEET
ELEMENTARY SCHOOL DEPARTMENT
JUNE 30, 2008

Exhibit B-4

Assets	Operating Fund	Food Service	Federal/State Projects	ESL Grant	Emergency Special Education Reserve	Emergency Grants	French Grant	Donations	Total
Cash & Equivalents		10,058							10,058
Due From Other Funds	918,558		1,202	3,501	286,273	3,892	205	1,684	1,215,315
Due From Other Governments	9,727	1,246							10,973
Inventory		3,334							3,334
Total Assets	928,285	14,638	1,202	3,501	286,273	3,892	205	1,684	1,239,680
Liabilities & Fund Balances									
Liabilities									
Due to Other Funds	296,757	10,503							307,260
Due to Students		2,599							2,599
Accounts Payable	40,858	593							41,451
Accrued Salaries	407,154								407,154
Total Liabilities	744,769	13,695	-	-	-	-	-	-	758,464
Fund Balances (Deficit)									
Reserved for Inventory		3,334							3,334
Unreserved									
Designated for Subsequent Years' Expenditures		(2,391)	1,202	3,501	286,273	3,892	205	1,684	294,366
Undesignated	183,516								183,516
Total Fund Balances	183,516	943	1,202	3,501	286,273	3,892	205	1,684	481,216
Total Liabilities & Fund Balances	928,285	14,638	1,202	3,501	286,273	3,892	205	1,684	1,239,680

TOWN OF BAR HARBOR
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
ELEMENTARY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Operating Fund	Food Service	Federal/ State Projects	ESL Grant	Emergency Special Education Reserve	Emery Grants	French Grant	Donations	Total
Revenues									
Intergovernmental	874,330	30,011	116,037		35,265	3,632		2,000	1,055,643
Local Sources	3,043	806							9,481
Lunch Sales		65,690							65,690
Total Revenues	877,373	96,507	116,037	-	35,265	3,632	-	2,000	1,130,814
Expenditures									
Education Programs	3,215,407		124,037			1,538		1,487	3,342,469
Administrative Support	1,762,327								1,762,327
Lunch Program		145,463							145,463
Total Expenditures	4,977,734	145,463	124,037	-	-	1,538	-	1,487	5,250,259
Excess of Revenues Over (Under) Expenditures	(4,100,361)	(48,956)	(8,000)	-	35,265	2,094	-	513	(4,119,445)
Other Financing Sources (Uses)									
Lease Proceeds	40,303								40,303
Transfers from Other Funds	4,227,156	54,000							4,281,156
Transfers to Other Funds	(54,000)								(54,000)
Total Other Financing Sources (Uses)	4,213,459	54,000	-	-	-	-	-	-	4,267,459
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	113,098	5,044	(8,000)	-	35,265	2,094	-	513	148,014
Fund Balance - July 1	70,418	(4,101)	9,202	3,501	251,008	1,798	205	1,171	333,202
Fund Balance (Deficit) - June 30	183,516	943	1,202	3,501	286,273	3,892	205	1,684	481,216

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit C-1
Page 1 of 3**

Town Projects	Balance July 1	Budget	Revenues and Transfers	Expenditures	Balance (Over) Under	Transfers From (To) Unreserved	Balance June 30
Town Clerk							
Computerized Voting Equipment	5,840	660			6,500		6,500
Copy Machine	2,085	832			2,917		2,917
Rolling Shelving		15,000		(14,155)	845	(845)	-
Finance							
Computer Hardware	4,818	3,926		(1,775)	6,969		6,969
Computer Reserve	8,872	17,444		(12,883)	13,433		13,433
Technology							
Audio Visual Equipment		2,500		(2,555)	(55)	55	-
Document Imaging System		7,000			7,000		7,000
Computer Servers	2,258	7,000		(6,962)	2,296		2,296
Town Office Phone System	1,000				1,000		1,000
Municipal Building							
Building Renovation	79,262				79,262		79,262
Masonry/Chimney Repairs	28,173				28,173		28,173
Records Storage	30,000			(1,090)	28,910		28,910
Ventilation System	111,628				111,628		111,628
Code Enforcement							
Pickup Reserve	18,001	998		(18,673)	326		326
Assessing							
Wide Format Scanner & GIS		26,700		(26,700)	-		-
Property Tax Maps & Revaluation	91,223	(36,600)			54,623		54,623
GPS Unit		3,096			3,096		3,096
Assessing Software		4,134			4,134		4,134
Map Plotter		1,792			1,792		1,792
Planning							
Aerial Photography Update	6,657	1,905		(8,562)	-		-
Copy Machine - Planning	5,873	1,674		(6,910)	637		637
Downtown Streetscapes	35,040				35,040		35,040
Ambulance							
Ambulance	80,591	15,409		(100,696)	(4,696)	4,696	-
Defibrillators	3,643	6,250			9,893		9,893
Jaws of Life	8,853				8,853		8,853
Fire Department							
Fire Engine #2	25,906	6,093			31,999		31,999
Fire Engine #3 Reserve	130,022	40,355			170,377		170,377
Fire Engine #4	86,077	21,407			107,484		107,484
Fire Engine #5	39,028	9,416			48,444		48,444
Pickup Truck Replacement	3,872	3,953			7,825		7,825
Thermal Imaging Camera	7,160				7,160		7,160

TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C-1
Page 2 of 3

<i>Town Projects (Continued)</i>	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unreserved</i>	<i>Balance June 30</i>
Police Department							
Cruiser Replacement	4,361	21,535		(26,325)	(429)	429	-
Computers & Software	3,500	3,500			7,000		7,000
Radio Base Station & Console	16,005	5,030			21,035		21,035
Speed Trailer & Monitor		9,780		(8,270)	1,510		1,510
Public Safety Building							
Phone System Replacement	3,343				3,343		3,343
Public Safety Bldg. Generator	3,607				3,607		3,607
School Shelter Generator		40,500			40,500		40,500
Harbor Department							
Harbor Master Boat & Trailer	7,775	2,569			10,344		10,344
New Floats	37,229	8,042		(6,325)	38,946		38,946
Gangway Replacement	3,079	1,723			4,802		4,802
Harbor Master's Office	10,108	8,219			18,327		18,327
Launch Ramp Improvements							
Pier Renovations	424	38,063		(8,894)	29,593		29,593
Parks & Recreation							
Albert Meadow-Grant's Park		5,000			5,000		5,000
Barker Common	53,877	(53,877)			-		-
Mt. Desert Cemetery	66,068				66,068		66,068
Park Equipment		11,877			11,877		11,877
Glen Mary Renovations	73,552	42,000		(2,320)	113,232		113,232
Comfort Stations							
New Restrooms Construction	42,255				42,255		42,255
Public Works / Highway							
Land Acquisition & Development	117,629				117,629		117,629
Air Compressor	200				200		200
Backhoe Reserve (Cat & Deere)	45,218	18,927			64,145		64,145
Brush Chipper	9,888				9,888		9,888
Bikeway Construction	3,563				3,563		3,563
Grader Reserve	75,164	5,000			80,164		80,164
Front End Loader Reserve	54,083	7,240			61,323		61,323
Road Improvement Program	11,036	363,072		(376,284)	(2,176)	2,176	-
Sidewalk Plow	30,885	6,592			37,477		37,477
Sidewalk Reconstruction Program	23,037	170,194		(118,504)	74,727		74,727
Washer, Steam Pressure	6,268	1,955			8,223		8,223
Street Sweeper (Broom)	10,794	7,735			18,529		18,529
Street Sweeper (Vacuum)	43,911	14,000			57,911		57,911
Town Garage Replacement Reserve	195,110				195,110		195,110
Tag Trailer	5,976				5,976		5,976
Water Truck	6,286	3,869			10,155		10,155
Light Truck Purchase	82,130	30,000		(70,893)	41,237		41,237
Plow Truck Reserve	2,700	60,491			63,191		63,191
Roller, Vibratory	22,028				22,028		22,028

**TOWN OF BAR HARBOR
CAPITAL IMPROVEMENTS PROGRAM
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-1
Page 3 of 3

<i>Town Projects (Continued)</i>	<i>Balance July 1</i>	<i>Budget</i>	<i>Revenues and Transfers</i>	<i>Expenditures</i>	<i>Balance (Over) Under</i>	<i>Transfers From (To) Unreserved</i>	<i>Balance June 30</i>
<i>Solid Waste Division</i>							
Storage	5,000				5,000		5,000
Bailers	2,359	956			3,315		3,315
Glass Crusher	1,011	9,989		(12,970)	(1,970)	1,970	-
Forklifts	7,548	1,134			8,682		8,682
<i>Debt Service</i>							
Building Renovation Bond Payment		32,594		(32,594)	-		-
Debt Service - Agamont Park		67,030		(67,030)	-		-
Septic Dump Payment		8,947		(8,947)	-		-
Town Total	1,902,889	1,114,630	-	(940,317)	2,077,202	8,481	2,085,683
<i>School Projects</i>							
Heating System Payment		14,581		(14,581)	-		-
Building Addition Payments		152,203		(152,203)	-		-
2004 Heating System Payment		70,000		(70,000)	-		-
2004 Heating System Payment		61,401		(61,401)	-		-
ADA Act Renovations	23,000	5,000			28,000		28,000
Capital Outlay Reserve	4,806	30			4,836	(3,859)	977
Furniture & Equipment		10,000		(1,161)	8,839		8,839
Computers & Technology	8,930	30,000		(30,000)	8,930		8,930
Copier Lease/Purchase		8,500		(8,747)	(247)	247	-
Dishwasher	580				580	(580)	-
Flooring	2,159	5,000		(2,101)	5,058		5,058
Asbestos Removal	3,035	6,000		(875)	8,160		8,160
Pickup Truck Replacement		5,530		(5,530)	-		-
Playground Equipment	15,000	10,000		(20,462)	4,538		4,538
Roof Repairs	17,000			(5,251)	11,749		11,749
Storage Units		17,000			17,000		17,000
Walk in Freezer	10,146				10,146		10,146
Connors Windows	12,065				12,065		12,065
Oil Tank Cover		10,000		(8,381)	1,619	(1,619)	-
Stair Treads Replacement		3,000		(2,210)	790	(790)	-
Gym Lights		12,000		(9,700)	2,300	(2,300)	-
Water Tank for Boiler		7,000		(15,641)	(8,641)	8,641	-
Safety & Access Control		10,000		(10,260)	(260)	260	-
Indoor Pipe Replacement	19,450				19,450		19,450
School Total	116,171	437,245		(418,504)	134,912	-	134,912
Subtotal	2,019,060	1,551,875	-	(1,358,821)	2,212,114	8,481	2,220,595
Unreserved - Undesignated Balance	(31,094)	(1,551,875)	1,682,293	(17,450)	81,874	(8,481)	73,393
Totals	1,987,966	-	1,682,293	(1,376,271)	2,293,988	-	2,293,988

**TOWN OF BAR HARBOR
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit D-1

<i>Assets</i>	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Cash and Equivalents	1,608	455	2,063
Investments	6,987	1,979	8,966
Total Assets	8,595	2,434	11,029
 <i>Liabilities & Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Reserved for Endowments	6,488	2,137	8,625
Unreserved	2,107	297	2,404
Total Fund Balances	8,595	2,434	11,029
Total Liabilities & Fund Balances	8,595	2,434	11,029

TOWN OF BAR HARBOR
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D-2

	<i>Gurnee Scholarship</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	422	210	632
Expenditures			
Scholarships			-
	-	-	-
Excess of Revenues Over Expenditures	422	210	632
Other Financing Sources (Uses)			
Transfers to Other Funds		(174)	(174)
Total Other Financing Sources (Uses)	-	(174)	(174)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	422	36	458
Fund Balance - July 1	8,173	2,398	10,571
Fund Balance - June 30	8,595	2,434	11,029

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

wadmancpa.com

October 2, 2008

Members of the Town Council
Town of Bar Harbor
Bar Harbor, Maine 04609

We have audited the financial statements of the Town of Bar Harbor for the year ended June 30, 2008.

In connection with our audit, we make the following statements of assurances and determinations:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits.
2. Budgetary controls are in place.
3. The corrected annual financial report submitted to the Department of Education and Cultural Services is materially correct.
4. The Town of Bar Harbor has complied with the applicable provisions of the Maine School Finance Act.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA